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## THE NEW DEAL AND THE SOUTH

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**T**HE South during the years of the New Deal has experienced a development that enables it and tempts it to talk the confident language of a regular child of the national household, not the subservient terms of an undernourished step-child or orphan. It has growing pains and is quarreling about those pains. It is diversifying its economy, making inroads into its poverty, complaining about these changes, and complaining about the complaining.

Governor Jones, of Louisiana, with many sympathizers, complains in the *Saturday Evening Post* that the New Deal has not done more about Southern poverty within some sort of states' rights framework but without state matching of funds. It would seem quite an order to demand more states' rights and more Federal aid at the same time. The *Manufacturers Record*, with abundant support from Southern rail officials and leaders in heavy industries, asserts that Southern manufacturing between 1929 and 1941 gained relatively

twice as much as that of the great industrial East, and goes on to take the New Deal to task for meddling with states' rights, publicizing Southern poverty, and thus bringing double harm to the South.

The Southern region is diversifying its thinking about the New Deal, as it is diversifying its thinking about freight rates, labor problems, race relations, war issues, and post-war planning. It is more a real and integral part of the United States today than at any other time since the administrations of Polk and Taylor, the last Presidents elected from the South. It has furnished to the Roosevelt administration the ranking Cabinet member in Cordell Hull, who heads the most conservative department; another conservative Cabinet member in Jesse Jones; the most socially progressive Justice of the Supreme Court in Hugo Black; and one of the most liberal members of the War Labor Board in Frank Graham. It might be said that the South has the war-time deputy President in James F. Byrnes, the middle-of-the-road Director of Economic Stabilization. The Interstate Commerce Commission has four Southern members, who were appointed by Roosevelt. One of these four, J. Haden Alldredge, economist, came up from the TVA, where he had made special studies of freight rates as affecting the South. Incidentally, a majority of the non-Southern members of the ICC are from the West or Middle West, leaving the East distinctly in the minority.

The South has in the TVA the regional ace of the New Deal. This creation of the Roosevelt administration is one of the largest five or six national government agencies in normal civilian employment, ranking in this sense above most of the Cabinet departments. It is the only agency of such size located exclusively in one region of the nation. With a charter from Congress and over 40,000 employees, it is the largest corporation having its head offices, chief officers, and most of its operations in the South. The South is represented in its top directorate and throughout its whole pay-

roll, on a merit basis, not through any policy of spoils or patronage. The TVA serves the South and the country, as well as the United Nations, in the South. It has perhaps been directly responsible for the development in the South of more war industries, excluding textiles and shipbuilding, than any other one factor. "TVA" could appropriately be stamped on many an airplane or part, other equipment, or war chemical. The TVA power production has been rapidly expanded to meet the industrial demands of war. About three-fourths of its power is now serving war industries. By deeds and facts this agency has demonstrated in peace and in war that there is something to the theory of co-ordinated expansions of production and consumption in a wide range of goods and services. The point is being grasped by many Tennessee Valley inhabitants, including white and colored share-croppers who are enjoying the conveniences of cheap electricity. It has been demonstrated to the understanding of not a few private utility executives.

The TVA has abundant support from co-operating municipalities and farm groups and also from chambers of commerce and other civic organizations. Its opposition from certain business interests has greatly declined with the discovery that it is an addition, not a displacement, in the total business of the region. It has good relations with labor, including organized labor. It has a good press, ranging between non-opposition and ardent support and extending from St. Louis to Tupelo, Mississippi, Decatur, Alabama, and Smoky Mountain towns. Frictions over dislocations of farmers and business men at dam projects have been held to a minimum under the circumstances. The TVA has a large "reservoir of good will." It is an asset to the New Deal, partly because it is so free from politics. Even political patronage snipers at its policies take a general position of support.

High praise has come from Governor Jones, who wrote an eloquent letter on TVA to its chairman, David E. Lili-

enthal, in December, 1941. This letter appeared in the Congressional Record, April 1, 1943, shortly after the Jones attack came out in the Saturday Evening Post. The governor praised TVA for its freight-rate findings and for its programs in forestry, housing, fertilizer, soil conservation, and farmer education, adding that "you have done one of the outstanding jobs in the country."

The TVA is universally accepted for a significant rôle in the post-war development of the South. It will continue its emphasis on the diversified production of quality goods in industry, on the processing of foods from an improved agriculture, and on developing the scenic resources of the region, which already has a tourist crop that in value suggests rivalry with cotton. It will continue its varied program of physical and human conservation.

The South's major farm groups, particularly the cotton-growing interests, mainly wrote their own crop program as part of the AAA policy. Their program was broadened by legislation and administration to give more protection to tenant interests. When the whole AAA was modified for constitutional and scientific reasons, with emphasis on soil-improvement crops and conservation practices, the South reaped gains that had been advocated in this region, largely in vain, for a hundred years. Erosion control, terracing, and contour-plowing came into vogue in the hills and slopes of Dixie as never before. The New Deal, for whatever reasons, has brought about an unprecedented soil saving in the South, where more land has been wasted by man than in all the rest of the country. The South has got something it badly needed in addition to the AAA cash benefit payments it so badly wanted.

The South has had the major stake in the tenant aid program of the Farm Security Administration, since this region leads in farm tenants relatively and absolutely. More Southerners than others have been enabled to purchase family-size farms by this agency. More Southerners than

others have been included in its rural rehabilitation program, which has applied production loans and education to tenants as tenants, has reached hundreds of thousands of low-income farmers in the process, and has definitely improved the productive power, income, and net worth of these clients. These farmers were far ahead of other farmers in the increase in food production last year.

This rehabilitation work, which came under the new FSA in 1937, was inaugurated in the spring of 1934 by the Federal Emergency Relief Administration. Its administrator, under Harry Hopkins, was Colonel Lawrence Westbrook, a Texas planter. It was publicly launched at a conference in Atlanta of relief administrators, social workers, agricultural college officials, farm organization leaders, and actual farmers. It transferred rural families immediately from relief to a productive contractual status, and its results have been "thrilling," to quote Brooks Hays of Arkansas, who has moved from an FSA office to Congress. The agency's good work is known and appreciated by other Southern Congressmen like Tarver, of Georgia, and Sparkman, of Alabama. Words of high praise for the FSA's rehabilitation work have come from many Southern sources, including Clarence Poe's *Progressive Farmer*. Not a few observers are like Elmer Peterson, the Oklahoma City editor, who is extremely critical of the AAA but eloquently favorable to the FSA. Governor Jones gives at least mixed praise to the FSA, which has added variety to its work in Louisiana by extending loans and market guidance to a group of bayou trappers. My own favorable judgment is based partly on my experience as an adviser in the early stages of the program and later as a landlord dealing with FSA tenants. I have seen the good works of economic and human rehabilitation.

The coming of the rehabilitation program was welcomed or accepted by many landlords and rural merchants, who at the time could not afford the risk and burden of financing

down-and-out farmers. It was good business for the merchants and landlords. These are now more able than in over a dozen years to bear the burden of credit to tenants, and, moreover, the risks in such credit have come down considerably. It is thus only natural that there is something of a drive for pre-New Deal normalcy on the Southern countryside. Making headway for this drive is easier because many of the FSA clients, white and colored, are not voters and are not organized. The Farmers' Union, which supports FSA, is not numerically strong in the South. Nor is the Southern Tenant Farmers' Union. The Farm Bureau, which is strong among Southern top-ranking farmers, has developed antagonism to the FSA on many counts. The South leads in big farmers as well as in little ones.

Part of the criticism leveled at the FSA is based on possible mistakes made by this Administration in handling community projects and experiments inherited unavoidably from other agencies, particularly from Rexford Tugwell's Resettlement Administration. Part of the criticism seems to stem from the success of FSA in organizing forgotten men into rural co-operatives for purchasing, processing, and selling purposes, and for medical service. Real investigation will most likely show nothing of the alleged communistic practices but something much nearer the Scandinavian pattern of organizing farmers.

The FSA program has represented an approach to social security for bottom-rail farmers, who are more numerous in the South than elsewhere and who are not included in the permanent features of the industrial Social Security program. But organized labor in the South, which supports Social Security, is behind the movement for organized farm security. If the divided South sees the FSA and its work scrapped, it may witness a more sweeping and highly organized movement of lowly farmers and farm workers. The CIO is in the field with a union of workers in agriculture and agricultural processing. For some years John Lewis has been eying the Southern farm tenant scene.

Labor in the South is changing more rapidly than many realize. Through wage and hour regulation, collective bargaining, and industrial trends, wage differentials between Northern and Southern labor are shrinking. War conditions are speeding up the shrinkage. Southern laborers are attaining skills and increasing productivity. Absentee-owned corporations are leaving more pay-roll funds and Social Security taxes in the South. While labor union membership in America was increasing by some 200 per cent in the New Deal period, the gain for organized labor in the South was nearer 1000 per cent. The AF of L reports as of last March a Southern membership jump since 1933 from 300,000 to 1,700,000. Beatings of labor organizers in industrial centers like Gadsden, Alabama, have ceased. Cities like New Orleans and Memphis, through officials or political bosses, at first said they would have none of the CIO. They have changed. The labor vote and influence are becoming important. Many laborers have begun to pay poll taxes in "poll-tax states." Labor power was an important factor in the abolition of the poll tax in Tennessee last winter. It is behind the movement at Washington to prevent poll-tax requirements in Federal elections.

The labor movement was affecting the South's traditional pattern of race relations before the coming of the present war. Negroes were becoming faithful members and officials of unions without adhering to Jim Crow divisions. This was particularly true, for instance, in CIO groups in the Birmingham district. It was less true in the older AF of L unions. But the Farmers' Union in the South abandoned racial barriers, and the new Southern Tenant Farmers' Union started without such restrictions. It is also true that among intellectual elements in the South the Negroes are closer than the whites to the labor movement in their thinking and association. This is true of those able Negroes who formulated the Durham conference statement, admitting the fact of racial segregation without accepting its principle. There is a close connection between race tension and labor

tension in the divided South. Both tensions, which strike at Southern paternalism, are intensified by the impact of the war, with new opportunities for Southern laborers and Southern Negroes. Both tensions mirror a national spread, with organized labor cutting its lag in the South and Negroes furnishing population to the North. The two tensions may be solved together, with standpat reactionaries finding little comfort in choosing between a Roosevelt or a Willkie.

The coming of war is bringing industrial changes in the South, which is also the greatest camp ground and training field for the nation's armed forces. In the early stages this region got less than ten per cent of the industrial business flowing from the government's defense program. This was not so much a discrimination against the South as it was an army-navy preference for big business, which has the inside track, with initial advantages in organization, technology, machine tools, and a supply of high-class labor. Roosevelt was in the position of Woodrow Wilson, who had not finished with disciplining the large business elements before he had to go to them for the sinews of war. Wilson admittedly regretted the shift, and Roosevelt must not like it.

No Southern conservative revolt against the New Deal could aid the New Deal in managing big business and aiding little business. Time and necessity, more than politics and sectional pressure, distributed the war business. This war is too big for big business or the big business section alone. Inevitable expansion and decentralization brought more industrial war work to the South, particularly in textiles and shipbuilding. In the past two years the South has approximately doubled its dollar proportion of the nation's war contracts.

However, the South industrially is still holding only the national "hind tit." The handicap is in the South, not in the New Deal, whoever may be responsible for the original sin. This region could not forthwith take on a big job of producing the fine, high-quality instruments of warfare, be-



cause it lacked the organization, the technology, the machine tools, and the highly trained personnel required for such production. The South's peace-time industries had been more conspicuous for tonnage output than for dollar value. In spite of significant gains in the period between the two wars, Southern manufacturing was far below the national level. "In 1939," says Henry B. Kline, a TVA economist, "the per capita value added by manufacture in the ten Southeastern states was only \$96, compared with \$187 for the country as a whole and \$272 in the eighteen states north of the Ohio and Potomac and east of the Mississippi." Southern commerce with the rest of the country in 1940 showed an "export" balance of millions of tons but an "import" balance of scores of millions of dollars. The region's unbalanced economy has a "favorable balance of trade" in quantity, with an "unfavorable balance" in quality. The war is stimulating a measure of qualitative production, particularly in the TVA country, and the government sponsorship of industrial training of Southern youth and adults contributes to this improvement. The accompanying taste of high wages is no small item in this progress. Southern institutional and service facilities are strained to accommodate the drastic shifts in population brought about by the industrial impact of the war. The inadequacy of these facilities is a conditioning factor in the racial tension.

The South's structure of industrial production and the Southern freight-rate structure dovetail in a total picture. The two structures have developed together, and no one but a politician with a bias can say which caused the other. The two structures must be changed or corrected together, and the South is divided on the issues and methods of change.

Any point or criticism concerning railroad freight rates can be proved by selecting examples from "class" and "commodity" rates affecting over 14,000 items or groups of items and more than five times that number of stations in five major freight-rate Territories of the United States. The

Southern Territory is at a disadvantage in comparison with the Official, or Eastern, Territory in rates on high-class manufactures, except where special adjustments have been made for important shippers or groups of shippers. This status adversely affects small diversified business and unborn business in the South. It serves as a tariff barrier against potentialities more than against actualities. Small and unborn interests are not very articulate or powerful.

The South enjoys many rate advantages on coal as well as other raw materials and cheap products. The interests behind these heavy industries in the South are distinctly articulate and powerful. They pay lower wages and lower freight rates than manufacturers of quality goods, and are not complaining about any regional colonial economy. Inter-regional uniformity could double-squeeze them with higher wages and higher rates. They are against rate parity or uniformity between regions. They favor piece-meal adjustment and oppose the "reforms." They have a varying degree of sympathy and support from Southern rail interests, for whom they are great customers. Southern railroads have never liked "reform." The Southern railroad and heavy shipping interests constitute a combination of conservative economic forces that can be effective before administrative bodies and in state politics. These elements are strong in Jones' Louisiana, Dixon's Alabama, and Arnall's Georgia. Of course, there is abundant support in the North for their point of view. Any Southern governor or group who would buck these forces and at the same time oppose or disown the New Deal is doomed to failure before starting. Freight-rate revision on the scale contemplated is a progressive step that is nothing less than national social planning. In fact, any planning for abundance must be based on efficient transportation and an equitable rate system. For such a step the New Deal offers the best bet.

Freight-rate revision is a national problem, affecting several regions and many economic interests that cut across

regional borders. It is well for Southerners to realize this, as did the late Bibb Graves, ardent New Deal governor of Alabama in the middle thirties. He was willing for high wages and low freight rates to come in the place of low wages and high freight rates for Southern manufacturing. When the *Southern Governors' Case* was before the ICC in 1938, Graves broadcast an urgent appeal to "fifty million consumers" in the North for lower rates on Southern goods seeking the Northern market.

Though only a few specific downward revisions have followed the hearings of 1938, the general attack on the problem is making headway. By the Transportation Act of 1940 Congress declared for a policy free from inter-regional discrimination and called for an administrative investigation of the inter-regional workings of the rate structure. That investigation is going forward under a special expert group. It might be said that the ICC, with the South and West well represented in its membership, is working energetically at the task of doing justice. The Commission seems to be more broadly constructive and less legalistic than formerly. Its hearings on regional rate problems are extensive and of a broad scope.

The TVA is the best advocate the South has for freight-rate revision. This agency put a staff to studying the question in 1933. It has co-operated with Southern governors on a non-political, research basis, and this has been well recognized by Southern governors. It has released several reports and studies, notably the "Regionalized Freight Rates: Barrier to National Productiveness," which President Roosevelt transmitted to Congress last March. Its experts envisage an enlargement and diversification of Southern manufacturing under a freight-rate system free from regional discriminations. They point out that such a reconstruction can and should be made and that it will not rob Peter to pay Paul, whether Peter be a Northern manufacturer, a Southern railroad, or a Southern shipper of raw material.

General rate reconstruction is a huge task. The customs tariff system is infinitesimal in comparison, though Congress finds tariff-making a large undertaking. The customs tariff schedules deal with the whole United States as one port as far as rates are involved. This must be multiplied by thousands in the freight-rate structure. Numerous interests must be heard and considered. Within limits, existing equities must be preserved, even if only for the national welfare. All economic sins of the past can not be undone any more than the country can be given back to the Indians.

The complex job of freight-rate reconstruction is one distinctly for an administrative revision in accordance with lawfully declared policy. The great Granger movement of seventy years ago, while clearly showing the necessity of railroad regulation, pointedly proved that actual rates could not be fixed by statute. That rigid method was tried out in state experiments by the Grangers, and it had to be abandoned in favor of regulation by administrative flexibility. Southerners seeking rate revision might well remember the Granger lesson, and stick to the democratic administrative process, which is now available to them. That process offers the South more hope today than ever. It is better to follow that method than to throw sectional firecrackers at the national barn.

On the other hand, Southerners who think they should oppose general rate revision also need to have the Granger experience in mind and to avoid stirring up a popular groundswell against railroads and the heavy industries of the South. Their fears that heavy shipping will be jeopardized by higher rates through revision may be groundless. Lower rates on high-grade manufactures may be associated with an expansion in the production and consumption of those products without any offsetting penalty on any interest in the North or South. All can profit by such a movement of the South farther away from the one-crop pattern in its industry as in its agriculture.

Differentials must be corrected together, not singly, for they operate together. The Roosevelt administration is clearly exploring the issue of freight-rate differentials. It has moved against a whole set of differentials affecting the South. The Hull trade agreements are checks to a tariff system that is a toll system against much of the South's agriculture. Southern wage differentials and other labor differences are admittedly being reduced. The economic differentials against Negroes are being tackled in the face of tremendous difficulties. In a large sense, the South is escaping from a long-standing differential in opportunity. No New Deal or other Washington government alone can realize upon that enlarged opportunity for the region. The South or Southerners have some responsibility for action. The region must furnish its own leadership and statesmanship.